



Claire McCaskill

Missouri State Auditor

June 2005

Ex Officio County Collector

Livingston County, Missouri

March 1, 2004 to
December 31, 2004



Office Of
Missouri State Auditor
Claire McCaskill

June 2005

Our office conducted an audit of the Ex Officio County Collector, Livingston County, Missouri.

State statute requires the state auditor to audit the office of the County Collector after being notified of a vacancy in that office. On December 31, 2004, a vacancy occurred in the office of the Ex Officio County Collector of Livingston County, Missouri; a successor was appointed and sworn into office effective January 1, 2005. A final settlement for the period March 1, 2004 to December 31, 2004, was filed on January 31, 2005.

Although recommendations have been made in several prior audit reports, the former Ex Officio Collector did not adequately reconcile cash balances to existing liabilities. Monthly bank reconciliations were performed; however, no check register balance or other book balance was maintained. As a result, the reconciled cash balance of \$746,777 at December 31, 2004, was not compared to any book balance or existing liabilities.

As similarly discussed in our prior report, the former Ex Officio Collector did not reconcile abstracted transactions to daily deposits. For some deposits reviewed, we noted unidentified differences existed between the daily abstracted receipts and deposits. The deposit log which the former Ex Officio Collector used to document the payment details and provide support for individual deposits, and some paid tax statements related to the deposits reviewed could not be located.

The former Ex Officio Collector continued to utilize his manual recordkeeping system after the implementation of the computerized property tax system. Although various data was entered into the system and some monthly reports were generated and filed for retention, there was no documentation to show that the manual information was reconciled to the computer reports. The computer information was not thoroughly reviewed and tested.

Rather than resolving penalty interest calculation discrepancies, the former Ex Officio Collector recalculated what the penalty interest amount should have been in total, and adjusted distribution amounts for under and over payments. The practice of distributing amounts that do not agree to amounts collected could result in a bank account overage or shortage at month end.

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YELLOW SHEET

LIVINGSTON COUNTY, MISSOURI
EX OFFICIO COUNTY COLLECTOR

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the County Commission
and
Ex Officio County Collector
Livingston County, Missouri

Section 52.150, RSMo 2000, requires the State Auditor to audit the office of the County Collector after being notified of a vacancy in that office. The Ex Officio County Collector of Livingston County, Missouri, resigned effective December 31, 2004; a successor was appointed and sworn into office effective January 1, 2005.

To satisfy our statutory obligation, we have audited the operations of the Ex Officio County Collector of Livingston County, Missouri. The scope of our audit included, but was not necessarily limited to, the period March 1, 2004 to December 31, 2004. The objectives of this audit were to:

1. Determine the financial condition of the accounts of the office of the Ex Officio County Collector.
2. Determine the proper compensation that should have been paid to the replaced Ex Officio County Collector during the audit period and the compensation actually paid during such period.
3. Review internal controls and review compliance with legal provisions as deemed necessary.
4. File a report of our findings with the County Commission and the person appointed to fill the vacancy in the office of the Ex Officio County Collector.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents and interviewing the County Clerk and various personnel of the office of the Ex Officio County Collector.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in

operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

Section 52.150, RSMo 2000, requires the County Commission to accept the state auditor's report and, if necessary, to take certain specific actions if the state auditor finds any monies owing to the county or the past Ex Officio County Collector.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the Ex Officio County Collector and was not subjected to the procedures applied in the audit of that office.

The accompanying Management Advisory Report presents our findings arising from our audit of the Ex Officio County Collector of Livingston County, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

March 1, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
Audit Staff:	Gary Raines

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDING

LIVINGSTON COUNTY, MISSOURI
EX OFFICIO COUNTY COLLECTOR
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Ex Officio County Collector's Controls and Procedures
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On December 31, 2004, a vacancy occurred in the Collector's office. The current Ex Officio Collector was appointed and sworn into office effective January 1, 2005. The former Ex Officio Collector prepared a final settlement for the period March 1, 2004, to December 31, 2004. Collections totaled approximately \$1.5 million for this time period.

Cash balances were not reconciled to liabilities, daily deposits were not agreed to abstracted transactions, and interest penalties on back tax collections were not always properly calculated. In addition, some records could not be located and some manual records were not agreed to computer generated reports.

- A. Although recommendations have been made in several prior audit reports, the former Ex Officio Collector did not adequately reconcile cash balances to existing liabilities. Monthly bank reconciliations are performed; however, no check register balance or other book balance is maintained. As a result, the reconciled cash balance of \$746,777 at December 31, 2004, was not compared to any book balance or existing liabilities. Without such comparisons, there is less certainty of the propriety of the reconciled cash balance.

The maintenance of a book balance and adequate reconciliations are necessary to ensure receipts and disbursements are properly accounted for and the cash balance can be properly identified to appropriate liabilities and other reconciling items.

- B. As discussed in our prior report, the former Ex Officio Collector did not reconcile abstracted transactions to daily deposits. With the implementation of the computerized property tax system, the deputy collector entered paid tax receipt information into the system and daily abstract reports were generated and filed with the corresponding deposit slips. However, there was no procedure to reconcile these records and a review of selected bank deposits noted some unidentified differences between the daily abstracted receipts and deposits. The deposit log, which the former Ex Officio Collector used to document the payment details and provide support for individual deposits, and some paid tax receipts related to the deposits reviewed could not be located. Because of the lack of a reconciliation procedure and unavailability of some records, there is less assurance that all receipts were deposited intact.

Daily abstract listings should be agreed to deposits to ensure all receipts have been properly recorded and deposited intact.

- C. The former Ex Officio Collector continued to utilize his manual recordkeeping system after the implementation of the computerized property tax system. Although various data was entered into the system and some monthly reports were generated and filed for retention, there was no documentation that manual information was reconciled to the computer reports. Manual records continued to be used to support significant tasks, such as month-end distributions. As a result, the computer information was not thoroughly reviewed and tested. We noted an instance where a thirty percent commission was calculated for one month rather than the authorized three percent commission. This occurred because commission rates had to be entered into the system each month rather than being incorporated into the program. Because manual records were still being relied upon, this error had no impact on month-end distributions. Since the new Ex Officio Collector is relying on the computer system to perform all tasks, she needs to carefully review all reports generated to ensure their accuracy.
- D. Errors are sometimes made by taxpayers when calculating penalty interest on back taxes and mailing their bills and monies to the Ex Officio Collector's office. In addition, the former Ex Officio Collector sometimes included payments made early in a month with the previous month's abstracted activity so that the monies could be included in the month-end property tax distribution. As a result, the related penalty interest paid appeared to include an extra month. When determining month-end distribution amounts, the former Ex Officio Collector recalculated what the penalty interest amount should have been in total, and adjusted distribution amounts for under and over payments. The practice of distributing amounts that do not agree to amounts collected could result in a bank account overage or shortage at month end. A review of the March 2004 through December 2004 abstract reports identified approximately \$312 had been added to distribution amounts due to this month-end recalculation.

Proper calculation of penalty interest and consistent application of month-end cutoff periods is necessary to ensure appropriate amounts are accounted for and distributed. Any significant discrepancies need to be resolved with the taxpayer.

WE RECOMMEND the Ex Officio County Collector:

- A. Maintain a book balance and reconcile the bank accounts to related liabilities and other reconciling items on a monthly basis. Any differences should be investigated and explained on the reconciliations.
- B. Reconcile the daily abstracts to daily deposits ensuring all receipts are deposited intact.
- C. Closely review computer generated information to ensure its propriety and resolve any problems identified.

- D. Resolve any significant penalty interest discrepancies with the taxpayer, consistently and properly cut off activity at month-end, and ensure that amounts distributed agree to amounts collected.

AUDITEE'S RESPONSE

The Ex Officio County Collector provided the following responses:

- A. *I have set up and have been maintaining a running balance for each bank account. I am using a separate 3-ring binder for each account. I have been reconciling the bank accounts each month and have not noted any differences. Liabilities will be identified.*
- B. *Since we are now using the computer, I do a batching, posting, and daily collection procedure for each deposit made. Cash and checks on the daily deposit are compared to the computer information. We then make a copy of the daily deposit slip and this is all kept in a notebook. If there is a difference between the computer reports and the deposit slips an explanation will be given on the deposit slip. We also have been doing a daily balance of our cash drawer and making a note of this on the copied deposit slip.*
- C. *I have been closely reviewing computer-generated information. I have talked with our software company and resolved issues related to method of payment information and commission calculations.*
- D. *All interest and penalties are now calculated by the computer software, and discrepancies are resolved with taxpayers as needed. Our software is also calculating disbursements. We then write checks by hand. A calculator tape of checks is made after checks are written to ensure agreement with the total computer generated disbursement amounts.*

The former Ex Officio County Collector provided the following response:

The audit report fairly and accurately describes the procedures of the office and it appears appropriate that plans regarding the various recommendations be provided by the new Ex Officio County Collector.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

LIVINGSTON COUNTY, MISSOURI
EX OFFICIO COUNTY COLLECTOR
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Ex Officio County Collector and the township collectors bill and collect property taxes for the county and most local governments. The Ex Officio County Collector is responsible for collecting delinquent taxes not collected by the various township collectors, as well as collecting all current railroad and utility taxes and current surtax. Pursuant to Section 54.030, RSMo 2000, the County Treasurer/Ex Officio County Collector's term of office ends March 31. Annual settlements are to be filed with the county commission for the fiscal year March 1 through February 28(29).

Gordon Smith served as Ex Officio County Collector until December 31, 2004. Deanna Kepner was appointed the Livingston Ex Officio County Collector and sworn into office effective January 1, 2005.

The Ex Officio County Collector received compensation of \$34,110 for the period March 1, 2004 to December 31, 2004. Compensation was in accordance with statutory provisions.

The following schedule reflects amounts from the records of the Ex Officio County Collector on the modified accrual basis. The schedule does not include any of the operating costs of the Ex Officio County Collector's office. Operating costs are paid from the General Revenue Fund of the county.

Appendix

LIVINGSTON COUNTY, MISSOURI
EX OFFICIO COUNTY COLLECTOR
SCHEDULE OF REVENUES AND EXPENDITURES

	Period March 1, 2004 to December 31, 2004
REVENUES	
Property taxes:	\$
Ex Officio County Collector	1,755,871
Township Collectors	6,208,084
Other	143,873
Less Provision for Uncollectible Accounts	(416,560)
Total Revenues	<u>7,691,268</u>
EXPENDITURES	
State of Missouri	41,453
General Revenue Fund	6,041
Assessment Fund	92,710
Health Center Fund	333,956
Senate Bill 40 Board Fund	134,878
School districts	5,313,391
Library district	364,504
Ambulance district	232,758
Nursing home district	207,122
North Central Missouri College	459
Watershed district	702
Fire protection districts	31,188
Township general	140,289
Township road and bridge	580,730
Cities	50,685
County Clerk	1,715
Merchant licenses - General Revenue Fund	5,740
County Employees' Retirement	26,257
Tax Maintenance Fund	12,374
Other	1,505
Commissions and fees:	
Township Collectors	56,280
General Revenue Fund	56,531
Total Expenditures	<u>7,691,268</u>
REVENUES OVER (UNDER) EXPENDITURES	<u><u>\$ 0</u></u>